

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

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FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 9165

INFO AMCONSUL BRISBANE

AMCONSUL MELBOURNE

USMISSION OECD PARIS

AMCONSUL PERTH

AMCONSUL SYDNEY

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: EGEN, ECON, AS

SUBJECT: CPI FOR SEPTEMBER QUARTER UP 2.2 PERCENT-CONTINUED
IMPROVEMENT

REF: CANBERRA 5177

1. ON OCTOBER 21 AUSTRALIAN BUREAU OF STATISTICS (ABS) ISSUED
SEPTEMBER QUARTER 1976 CONSUMER PRICE INDEX (CPI). ALL GROUPS
CPI FOR WEIGHTED AVERAGE OF SIX STATE CAPITALS (CANBERRA
EXCLUDED) ROSE 2.2 PERCENT, AS AGAINST A RISE OF 2.5 PCT. FOR
JUNE QUARTER AND 3 PCT. FOR MARCH QUARTER. CPI FOR CANBERRA
ROSE 2.1 PCT. AS AGAINST 3.2 PCT. IN JUNE QUARTER AND 2.9 PCT.
IN MARCH QUARTER. CPI IN SEPTEMBER QUARTER WAS 13.9 PCT.
ABOVE SEPTEMBER QUARTER 1975 (CANBERRA 16.7 PCT.).

USE OF CHANGE IN CPI INDEX BETWEEN

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SEPTEMBER QUARTER 1976 AND SEPTEMBER QTR 1975 (WHEN INTRODUCTION

OF MEDIBANK CAUSED UNUSALLY SMALL RISE OF 0.8 PCT.) TO MEASURE RATE OF CPI INCREASE IS MISLEADING, AND ABS HAS PUBLISHED FOLLOWING TWELVE MONTH RATES WHICH EXCLUDE MEDICAL SERVICES ELEMENT: SEPTEMBER QUARTER 14.6 PCT; JUNE QUARTER 15.4 PCT.; MARCH QUARTER 16.8 PCT; DECEMBER 1975 QUARTER 16.7 PCT.; SEPTEMBER QUARTER 1975 13.7 PCT.

2. MANY OBSERVERS HAD EXPECTED SEPTEMBER CPI TO BE IN NEIGHBORHOOD OF 3 PCT. DUE TO STRONG RISES IN FOOD PRICES OF 1.1 PCT. IN JULY, 1.4 PCT. IN AUGUST AND 1.7 PCT. IN SEPT. SEVERAL FACTORS APPEAR TO HAVE OFFSET THESE INCREASED FOOD PRICES: 1. A BELOW AVERAGE INCREASE IN THE HEAVILY WEIGHTED CPI FOR SYDNEY LARGELY AS A RESULT OF A 20 PCT. REDUCTION IN PUBLIC TRANSPORT FARES BY THE N.S.W. GOVERNMENT; 2. BELOW AVERAGE INCREASES FOR FUEL AND LIGHT AND POST AND TELECOMMUNICATIONS; AND 3. AN ABSORPTION BY BUSINESSES OF THE SECOND ROUND EFFECTS OF THE FEB. 6.4 PCT. WAGE INDEXATION INCREASES. COMPARISON OF SEPT. AND JUNE QUARTERLY INCREASES IN MAJOR AGGREGATES ARE AS FOLLOWS, WITH WEIGHTING PERCENTAGE IN PARENTHESES: FOOD 3.1 PCT. VS. 0.5 PCT. (31.2 PCT.); CLOTHING AND SOFTGOODS: 1.7 PCT VS. 5.8 PCT (14.1 PCT); HOUSING, 3.1 PCT. VS. 4.1 PCT. (14.2 PCT); HOUSEHOLD SUPPLIES AND EQUIPMENT, 1.9 PCT. VS. 2.5 PCT. (12.5 PCT.); AND MISCELLANEOUS, 2.2 PCT VS. 2.5 PCT. (27.9 PCT). FOR FURTHER COMPARISON PURPOSES ABS HAS PUBLISHED RECENT QUARTERLY CPI CHANGES EXCLUDING THE VOLATILE FOOD ELEMENT: SEPTEMBER, 1.8 PCT; JUNE, 3.3 PCT; MARCH 2.3 PCT; AND DECEMBER 1975, 6.4 PCT.

3. COMMENT: THE PRIME MINISTER, MR. FRASER, AND THE TREASURER, MR. LYNCH, BOTH ISSUED LOW-KEY STATEMENTS TO EFFECT THAT DECREASE IN RATE OF RISE IN CPI REFLECTED AN IMPROVEMENT AND SERVED AS AN INDICATION THAT GOVERNMENT'S ECONOMIC STRATEGY IS BEGINNING TO SHOW RESULTS. RELATIVE LACK OF DRUM-BEATING ON PART OF GOVERNMENT IS PERHAPS ATTRIBUTABLE TO FACT THAT IT WIDELY EXPECTED THAT DECEMBER QUARTER CPI INCREASE MAY WELL BE IN NEIGHBORHOOD OF 5 PCT. AS CPI EFFECTS OF INTRODUCTION OF MEDIBANK LEVY ON OCTOBER 1 EXPECTED TO RAISE CPI BY ABOUT 2 PERCENT. THE SHADOW TREASURER, MR. HURFORD, LIMITED OFFICIAL USE

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WHILE ACKNOWLEDGING IMPROVEMENT IN SEPTEMBER QUARTER STATED THAT JUST AS SEPTEMBER AND DECEMBER QUARTERS IN 1975 HAD TO BE INTERPRETED TOGETHER BECAUSE OF THE IMPACT OF MEDIBANK'S INTRODUCTION, SO TOO THE SEPTEMBER AND DECEMBER QUARTER FIGURES FOR THIS YEAR HAD TO BE INTERPRETED TOGETHER BECAUSE OF CHANGES IN HEALTH INSURANCE FUNDING.

4. ATTENTION WILL NOW TURN TO FORTHCOMING "WAGE INDEXATION" HEARINGS BY CONCILIATION AND ARBITRATION COMMISSION, NOW SCHEDULED TO COMMENCE NOVEMBER 1. IT HAS BEEN ANNOUNCED THAT ACTU AND 400,000 MEMBERS AUSTRALIAN COUNCIL OF SALARIED AND PROFESSIONAL ASSOCIATIONS (ACSPA) WILL BUSH FOR FULL 2.2 PCT. INCREASE, PLUS AN ADDITIONAL INCREASE OF 2 PCT. TO MAKE UP FOR PLATEAU INDEXATION DECISIONS OF MAY AND AUGUST. ACSPA HAS CALLED FOR "COUNCIL OF WAR" IF RESULT OF FORTHCOMING INDEXATION CASE IS CONSIDERED UNSATISFACTORY TO UNION MOVEMENT. ACTU PRESIDENT BOB HAWKE IS QUOTED AS SAYING THAT THE SLOWDOWN IN INFLATION REFLECTED IN CPI COULD NOT HAVE OCCURRED IF UNIONS HAD NOT MODERATED THEIR WAGE CLAIMS OUTSIDE INDEXATION, BUT THAT FULL INDEXATION WOULD HAVE TO BE RESTORED FOR THIS MODERATION TO CONTINUE. ACSPA COMMUNIQUE SEEN AS BLUNT WARNING TO COMMISSION THAT FAILURE TO GRANT AT LEAST FULL INDEXATION WILL TRIGGER WIDESPREAD INDUSTRIAL ACTION. THE GOVERNMENT AS YET HAS NOT GIVEN ANY INDICATION OF TACTICS IT WILL FOLLOW IN FORTHCOMING HEARINGS, ALTHOUGH IT CAN BE EXPECTED TO CONTINUE LINE SIMILAR TO POSITIONS TAKEN IN MAY AND AUGUST.
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